

**BIG JACKSON PUBLIC SCHOOLS
NEWAYGO COUNTY, MICHIGAN**

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

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BIG JACKSON PUBLIC SCHOOLS

List of Principal Individuals

Board Members

Jeff Thomas	President
Bradley Crawford	Vice-President/Treasurer
Laura Johnson	Secretary
Susan Jones	Trustee
Lynn Ulman	Trustee

Administration

James Jacobson	Principal/Superintendent
Deborah Wilkinson	Business Manager

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

The Board of Education
Big Jackson Public Schools
Newaygo County, Michigan

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Jackson Public Schools as of and for the year ended June 30, 2008, which collectively comprise the Public School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Big Jackson Public Schools as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2008 on our consideration of Big Jackson Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7, and pages 24 and 25, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Big Jackson Public School's basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
October 29, 2008

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BIG JACKSON PUBLIC SCHOOLS
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Our discussion and analysis of Big Jackson Public Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- D The District's total net assets of governmental activities increased approximately \$25,500.
- D General revenues accounted for \$340,317 in revenue, or 85.16 percent of all fiscal year 2008 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$59,325 or 14.84 percent of total fiscal year 2008 revenues.
- D The District had \$374,145 in expenses related to governmental activities; of which \$59,325 of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$340,317 were adequate to provide for the remaining costs of these programs.
- D The General Fund was the major fund for the District. The General Fund had nearly \$391,000 in revenue which primarily consisted of state aid, property taxes, and grants, and just over \$346,000 in expenditures. The General Fund's fund balance increased by approximately \$43,000.
- D There is currently no long-term debt outstanding.

THE ANNUAL FINANCIAL REPORT

The School District's annual report includes fund financial statements and district-wide financial statements. The fund-level statements are reported using a modified accrual basis of accounting. That is, only those assets that are "measurable" and "currently available" are reported, and liabilities are recognized to the extent they would normally be paid with current financial resources.

The District-wide Statement of Net Assets and Statement of Activities are reported using the full accrual basis of accounting. With this method all of the District's assets and liabilities, and all of the current year revenues and expenditures, are reported regardless of when cash is received or paid. These statements provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. For example, the Statement of Activities details how the District's services were financed in the short-term and the amount that remains for future spending. The Statement of Net Assets aggregates the District's restricted and unrestricted assets as well as short and long-term obligations recorded in all funds.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net assets* – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or *financial position*. Over time, increases or decreases in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The following summarizes the net assets at fiscal years ended June 30, 2008 and 2007:

Net Assets Summary

Assets	2008	2007
Current assets	\$ 289,960	\$ 247,592
Capital assets, net	99,407	112,721
Total assets	<u>\$ 389,367</u>	<u>\$ 360,313</u>
Liabilities		
Current liabilities	\$ 40,238	\$ 36,681
Total liabilities	40,238	36,681
Net Assets		
Invested in capital assets, net of related debt	99,407	112,721
Unrestricted	<u>2,017,501</u> <u>249,722</u>	<u>952,567</u> <u>210,911</u>
Total net assets	<u>349,129</u>	<u>323,632</u>
Total liabilities and net assets	<u>\$ 389,367</u>	<u>\$ 360,313</u>

Management's Discussion & Analysis (Continued)

Results of Operations:

For the fiscal years ended June 30, 2008 and 2007, the District wide results of operations were:

	Year Ended 2008		Year Ended 2007	
	Amount	%	Amount	%
REVENUES:				
Program Revenues:				
Charges for Services	\$ -	-	\$ -	-
Operating Grants/Contr.	59,325	14.84	46,621	14.76
General Revenues:				
Property Taxes	211,809	53.00	174,016	55.08
State Aid	112,763	28.22	84,656	26.79
Interest and Other	15,745	3.94	10,653	3.37
TOTAL REVENUE	399,642	100.00	315,946	100.00
EXPENSES:				
Instruction	156,346	41.79	154,392	46.69
Support Services				
General Administration	4,571	1.22	5,180	1.57
School Administration	16,627	4.44	14,936	4.52
Fiscal Services	30,373	8.12	31,546	9.54
Other Business Services	32,695	8.74	30,523	9.23
Operations/Maintenance	32,176	8.60	29,652	8.97
Pupil Transportation	84,693	22.64	57,709	17.45
Total Support Services	201,135	53.76	169,546	51.27
Capital Outlay	12,234	3.27	6,280	1.90
Other	4,430	1.18	492	0.15
TOTAL EXPENSES	374,145	100.00	330,710	100.00
Change in Net Assets	25,497		(14,764)	
BEGINNING NET ASSETS	323,632		338,396	
ENDING NET ASSETS	\$ 349,129		\$ 323,632	

Debt Administration

At year-end, the District had \$-0- in long-term obligations.

Depreciation Expense

GASB 34 requires school Districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets.

For fiscal year ended June 30, 2008, the net increase in accumulated depreciation was \$10,664. This is the result of the addition of depreciation expense for \$14,860 and the disposal of two assets resulting in a decrease of \$4,196.

Management's Discussion & Analysis (Continued)

Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value.

Capital Outlay Acquisitions

Actual capital outlay acquisitions were \$4,800 and disposals were \$7,450. Combined with accumulated depreciation, net assets (i.e., net book value) invested in capital assets decreased by \$13,314 during the year.

Since accumulated depreciation is based on original cost, it does not take into consideration inflation. As a result, the actual investment in capital outlay would have to be more than depreciation expense in order to maintain assets at the same level of maintenance and upkeep.

Property Taxes levied for General Operations (General Fund Property Taxes)

The District levies 18 mills of property tax for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5%, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50% of the market value.

State of Michigan Aid, Unrestricted

That State of Michigan aid, unrestricted is determined by the following variables:

- a. State of Michigan State Aid Act per student foundation allowance
- b. Student Enrollment – Blended at 80% of current year fall count and 20% of prior year winter count
- c. The District's non-homestead levy

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Big Jackson Public Schools foundation allowance was \$7,204 per student for the 2007-2008 school year. This represents a \$119 increase over the 2006-2007 foundation allowance of \$7,085 per student. The District's student enrollment for the fall count of 2007-2008 was 45 students.

Property Taxes levied for Building and Site Sinking Fund:

The District's Building and Site sinking fund levy, which is used for capital improvements, is based on the taxable valuation of all properties: homestead and non-homestead. For 2007-2008, there was no levy for the District's Building and Site sinking fund, therefore, no tax revenues were collected.

Management's Discussion & Analysis (Continued)

General Fund Budgetary Highlights:

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

General Fund Revenues:

Total Revenues Original Budget	\$ 297,700
Total Revenues Final Budget	<u>316,835</u>
Increase in Budgeted Revenues	<u>\$ 19,135</u> 6.43%

The District's final general fund revenues exceeded the final budget by \$74,096, a positive variance of 23.39%.

General Fund Expenditures:

Total Expenditures Original Budget	\$ 344,818
Total Expenditures Final Budget	<u>362,900</u>
Increase in Budgeted Expenditures	<u>\$ 18,082</u> 5.24%

The District's final general fund expenditures were under the final budget by \$16,596, a positive variance of 4.57%.

The Final expenditure budget reflects the following material changes from the original budget:

- D Increase in State Revenue Sources of \$20,000
- D Increase in Elementary Education expenses of \$11,100
- D Increase in Compensatory Education expenses of \$3,032
- D Decrease in Other Business Services expenses of \$6,200
- D Decrease in Operations & Maintenance activities of \$7,200
- D Increase in Transportation Services of \$28,850
- D Decrease in Capital Outlay of \$10,300

CAPITAL PROJECTS FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the School District also revised its Capital Projects Fund budget to reflect changes in revenues & expenditures. The District's capital projects revenue differed from the budgeted revenue by \$9,165, a variance of 100%. The District's capital projects fund expenditures differed from budgeted expenditures by \$23,674 as a result of over-budgeting the purchase of capital outlay.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2008-2009 budget. The primary factor was the District's student population. Also considered in the development of the budget is the local economy. These indicators were considered when adopting the budget for fiscal year 2008-2009. Budgeted expenditures in the General Fund were approximately \$376,600, which is almost 9% more than the 2007-2008 actual expenditures. Finally the Capital Project's Fund budget for 2008-2009 fiscal year reflects a 43% decrease in budgeted expenditures from the due to repairs in 2007-2008 that are not anticipated in 2008-2009.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Big Jackson Public Schools, 4020 13 Mile Road, Paris, Michigan 49338.

BIG JACKSON PUBLIC SCHOOLS

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Current Assets:	
Cash/Investments	\$ 253,350
Due From State	36,610
Total Current Assets	<u>289,960</u>
Noncurrent Assets:	
Land & Improvements	1,042
Buildings & Improvements	24,805
Buses & Other Vehicles	98,192
Furniture & Equipment	44,922
Less: Accumulated Depreciation	<u>(69,554)</u>
Total Noncurrent Assets	<u>99,407</u>
Total Assets	<u><u>\$ 389,367</u></u>
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 11,392
Accrued Payroll Liabilities	4,094
Deferred Revenue	19,529
Accrued Compensated Absences	5,223
Total Current Liabilities	<u>40,238</u>
Total Liabilities	<u>40,238</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	99,407
Unrestricted	<u>249,722</u>
Total Net Assets	<u>349,129</u>
Total Liabilities & Net Assets	<u><u>\$ 389,367</u></u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Government Wide Statement of Activities For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses)</u>
		<u>Charges for</u>	<u>Grants and</u>	<u>Revenue</u>
		<u>Services</u>	<u>Contributions</u>	<u>Government</u>
				<u>Activities</u>
Governmental Activities				
Instruction:				
Regular Instruction	\$ 156,346	\$ -	\$ 46,944	\$ (109,402)
Support Services:				
General Administration	4,571	-	12,381	7,810
School Administration	16,627	-	-	(16,627)
Fiscal Services	30,373	-	-	(30,373)
Other Business Services	32,695	-	-	(32,695)
Operations & Maintenance	32,176	-	-	(32,176)
Pupil Transportation	84,693	-	-	(84,693)
Total Support Services	201,135	-	12,381	(188,754)
Capital Outlay (Under \$1,000)	12,234	-	-	(12,234)
Other	4,430	-	-	(4,430)
Total School District	<u>\$ 374,145</u>	<u>\$ -</u>	<u>\$ 59,325</u>	<u>(314,820)</u>

General Revenues

Property Taxes	
General Purposes	211,809
State and Federal Aids Not Restricted To	
Specific Functions:	
General	112,763
Interest and Investment Earnings	7,193
Miscellaneous	9,006
Loss on Asset Disposal	(454)
Total General Revenues	<u>340,317</u>
Change in Net Assets	25,497
Net Assets - Beginning of Year	<u>323,632</u>
Net Assets - Ending of Year	<u>\$ 349,129</u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLSBalance Sheet - Governmental Funds
June 30, 2008

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash/Investments	\$ 93,528	\$ 159,822	\$ 253,350
Due from Other Governmental Units	36,610	-	36,610
Due From Other Funds	1,346	-	1,346
Total Assets	<u>\$ 131,484</u>	<u>\$ 159,822</u>	<u>\$ 291,306</u>
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ 11,392	\$ -	\$ 11,392
Accrued Payroll Liabilities	4,094	-	4,094
Due to Other Funds	-	1,346	1,346
Deferred Revenue	19,529	-	19,529
Total Liabilities	<u>35,015</u>	<u>1,346</u>	<u>36,361</u>
Fund Equity			
Unreserved/Undesignated	<u>96,469</u>	<u>158,476</u>	<u>254,945</u>
Total Fund Equity	<u>96,469</u>	<u>158,476</u>	<u>254,945</u>
Total Liabilities and Fund Equity	<u>\$ 131,484</u>	<u>\$ 159,822</u>	<u>\$ 291,306</u>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended June 30, 2008

Total Governmental Fund Balances	\$ 254,945
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	\$ 168,961	
Governmental Accumulated Depreciation	<u>(69,554)</u>	99,407

Long-term liabilities, including notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

Compensated Absences	<u>(5,223)</u>
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Total Net Assets - Governmental Activities:	<u><u>\$ 349,129</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2008

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local Sources	\$ 221,298	\$ 9,165	\$ 230,463
State Sources	139,309	-	139,309
Federal Sources	30,324	-	30,324
	<hr/>	<hr/>	<hr/>
Total Revenues	390,931	9,165	400,096
Expenditures			
Instruction			
Elementary	90,755	-	90,755
Compensatory Education	20,331	-	20,331
Employee Benefits	40,662	-	40,662
	<hr/>	<hr/>	<hr/>
Total Instruction	151,748	-	151,748
Support Services:			
General Administration	3,883	-	3,883
School Administration	12,000	-	12,000
Fiscal Services	21,093	-	21,093
Other Business Services	32,695	-	32,695
Operations & Maintenance	32,176	-	32,176
Pupil Transportation	61,446	-	61,446
Employee Benefits	25,555	-	25,555
	<hr/>	<hr/>	<hr/>
Total Supportive Services	188,848	-	188,848
Capital Outlay	5,708	11,326	17,034
	<hr/>	<hr/>	<hr/>
Total Expenditures	346,304	11,326	357,630
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of Revenues Over Expenditures	44,627	(2,161)	42,466
Other Financing Sources (Uses)			
Proceeds from the Sale of Capital Assets	2,800	-	2,800
Other	(4,430)	-	(4,430)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(1,630)	-	(1,630)
	<hr/>	<hr/>	<hr/>
Excess Revenues and Other Sources Over (Under) Expenditures & Other Uses	42,997	(2,161)	40,836
Fund Balance - July 1	53,472	160,637	214,109
	<hr/>	<hr/>	<hr/>
Fund Balance - June 30	\$ 96,469	\$ 158,476	\$ 254,945
	<hr/>	<hr/>	<hr/>

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 40,836

Amounts reported for governmental activities in the statement of activities are different because:

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	\$ 17,034	
Capital outlay reported as expenses in statement of activities	<u>(12,234)</u>	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) in assets	4,800	
Depreciation expense reported in the statement of activities	<u>(14,860)</u>	(10,060)

In the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources.

Proceeds from sale of assets	(2,800)	
Loss on sale of assets	<u>(454)</u>	(3,254)

Change in Accrued Compensated Absences (2,025)

Change in Net Assets - Governmental Activities \$ 25,497

The Notes to the Financial Statements are an integral part of this statement.

BIG JACKSON PUBLIC SCHOOLS

Notes to the Financial Statements
For the Year Ended June 30, 2008

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Big Jackson Public School District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

1. Reporting Entity

Big Jackson Public Schools is located in Newagyo County, Michigan. The School District provides educational services to approximately 30 students. The School District is governed by a School Board consisting of five board members all of whom are elected by School District residents.

Big Jackson School's mission statement reads as follows: Big Jackson School is committed to provide, with the help of parents, students and the community, a nurturing, safe, high quality, effective environment for learning. The school is dedicated to ensuring the uniqueness, dignity, and worth of each individual and committed to developing a positive self-image - expecting that all students will become responsible contributing members of society.

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, pupil transportation and construction and maintenance of District facilities.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, State and County aid, and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service resources are provided during the current year for payment of general long-term debt principal and interest due early in the following year and, therefore, the expenditures and related liabilities have been recognized. Compensated absences are recorded only when payment is due.

Property taxes, State and County aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of the fiscal year, have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

The District reports the following major governmental funds:

General Fund - The General Fund accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. Expenditures are classified in accordance with the Michigan School Accounting Manual, issued by the Michigan Department of Education as follows:

Instruction - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital and in other situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines, which assist directly in the instructional process.

Supporting Services - Supporting Services are those services which provide administrative, technical, and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Capital Projects Fund - The Sinking Fund is used to account for financial resources to be used for the acquisition, construction, renovation or repair of major capital facilities. The Sinking Fund Capital Project Fund records capital project activities funded with Sinking Fund millage. For this fund, the School district has complied with the applicable provisions of Sec. 1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of bonded Construction Funds and of Sinking Funds in Michigan.

4. Investments

Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements.

5. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles, if any.

Property tax levies are obtained by applying tax rates against the taxable valuation. Taxable valuation is based upon the property's state equalized value (which approximates ½ actual value). However, the taxable valuation is limited to a 5% increase from the previous year, while there is no limit to the increase in property values for state equalized valuation.

The State of Michigan utilizes a foundation allowance funding approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law.

The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Federal revenues are recorded as they are earned by the District under terms of specific grants.

6. Inventories

Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements. Prepaid items are recorded as expenditures when purchased in the fund financial statements and are offset by a reserve of fund balance.

8. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Grants	\$ -	\$ 19,529

9. Capital Assets

Capital assets, which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital Assets are depreciated using the straight-line method over the following useful lives:

Land Improvements	20 - 25 Years
Buildings and Improvements	20 - 50 Years
Vehicles, Furniture and Equipment	5 - 15 Years

10. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses at the time of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

Notes to the Financial Statement (Continued)

13. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

14. Compensated Absences

Individual contracts with the teachers provide for payment of unused sick days at the end of each school year. Business and personal days offered expire at the end of the year and no vacation pay is offered. Beginning with fiscal year ending June 30, 2005, unpaid sick leave may accumulate from year to year, being paid to employees at a rate of 50% of their current rate of pay upon retirement or departure.

15. Unemployment Compensation

The School District has elected to finance its unemployment liability as a "reimbursing employer". Under this method, the School District reimburses the Michigan Employment Security commission for all benefits charged to the School District's account during the previous calendar year.

NOTE B DEPOSITS AND INVESTMENTS

The School District's cash and cash equivalents at June 30, 2008, are comprised of deposits and investments of \$253,250 and petty cash of \$100.

DEPOSITS

Deposits were reflected in the accounts of the banks (without recognition of checks written but not yet cleared or of deposits in transit) at \$84,630.

Of that amount, \$84,630 was covered by federal depository insurance.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

INVESTMENTS

The School District is authorized by Michigan Law to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investment vehicles.

The District's investments at year-end were entirely invested in bank, and Michigan Liquid Asset Fund (MILAF) cash management funds that had a carrying amount and a market value of \$175,695.

Investments are normally categorized to give an indication of the level of risk assumed by the District; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Depositories actively used by the School during the year are detailed as follows:

1. Chemical Bank
2. Michigan Liquid Asset Fund

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

State of Michigan Public Act 621 requires that the General Fund and Special Revenue Funds of the School District be under budgetary control and that both budgeted and actual financial results do not incur a deficit. The District's Major Fund, Debt Service, is not required to adopt a budget. The District's Budget Appropriations Act must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from the District's Appropriations Act may occur without a corresponding amendment to the Appropriations Act. The District has the ability to amend the Appropriations Act provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. The District may also permit the chief administrative or fiscal officer to execute transfers between line items, without prior approval of the Board of Education. The level of control is the function level. All appropriations lapse at the end of the fiscal year.

The School District follows these procedures in establishing the budget data reflected in the financial statements:

- A. For the fiscal year beginning July 1, a proposed expenditure budget is presented by Administrative Personnel to the Governing Board.
- B. In June a preliminary operating budget is submitted to the Board of Education by the Principal. This budget includes proposed expenditures and the means of financing them.
- C. Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budget.
- D. After the budget is finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- E. The budgets were amended at periodic times during the year to comply with PA 621.
- F. Budgets for the General, Special Revenue, and Capital Projects Funds are adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.
- G. The budgets shown in these financial statements are as last amended through June 30, 2008.
- H. PA 621 of 1978, section 18(1), as amended, provides that a school district shall not incur expenditures in excess of the amount appropriated. The following overexpenditures occurred in the general fund during the year:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund</u>			
Support Services			
Other Business Services	\$ 22,400	\$ 32,695	\$ (10,295)

Notes to the Financial Statement (Continued)

NOTE D PROPERTY TAXES

Properties are assessed as of December 31, and the related taxes become a lien on December 1 of the following year. These taxes are due on September 10 and February 14 with the final collection date of February 28 before they are added to the County tax rolls. The taxes are collected and remitted to the District by the various Townships within the District. The County of Newaygo, through their Delinquent Tax Revolving Funds, advance all delinquent real property taxes to the District each year.

Property in the School District for the 2007 levy had a taxable value of \$19,540,466. For the 2007 levy, the School District's operating tax rate was 18 mills.

NOTE E DEFINED BENEFIT PENSION PLAN

Plan Description

All district full-time employees participate in the Michigan Public School Employees' Retirement System, ("MPERS"), a cost-sharing multiple-employer, state-wide defined benefit public employee retirement plan governed by the State of Michigan, originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS was established by the State of Michigan to provide retirement, survivor and disability benefits to the State's public school employees.

MPERS operates within the Michigan Department of Management and Budget, Office of Retirement Systems. The Department Director appoints the Office Director who serves as Executive Secretary to the MPERS' board, with whom general oversight of the retirement system resides. The State Treasurer serves as the investment officer and custodian for the system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public Schools Employees Retirement System, P.O. Box 30171, Lansing, MI 48909-7671 or by calling (517)322-5103 or 1-800-381-5111.

Funding Policy

All full-time employees of the District are required by law to participate in the MPERS. All benefits vest after 10 years of service. Basic plan members may retire at age 55 with 30 years of credited service, or at age 60 with 10 or more years of credited service. A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service, at age 60 with 10 or more years of credited service, or at age 60 having worked through 60th birthday with 5 years of service immediately preceding retirement effective date. There is no mandatory retirement age.

Both basic and MIP plan members may retire at age 55 with 15 years of service (with five of the years immediately preceding retirement effective date) and receive reduced early retirement benefits. The system also provides non-duty disability benefits and non-duty death benefits after 10 years (less if age 60 or older) of service for MIP members and 15 years of service for basic plan members (less if age 60 or older). The service provision is waived for duty disability and duty death benefits.

The retirement benefit is based on a member's years of credited service (employment) and final average compensation. Final average compensation is the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same period. This period for MIP members is 36 consecutive months and for basic members is 60 consecutive months yielding the highest total wages. A pension is payable monthly for the lifetime of a retiree or survivor and equals 1.5% of a member's final average compensation multiplied by the total number of years of credited service.

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options: straight life, survivor options and equated plans. Mandatory member contributions were phased out between 1974 and 1977 with the plan remaining noncontributing until January 1, 1987, when the Member Investment Plan (MIP) was enacted.

Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. Benefit and contribution provisions are fixed by State statute and may be amended only by action of the State legislature. The District was required to contribute 17.74% of participant's salary from July 1, 2007 through September 30, 2007 and 16.72% from October 1, 2007 through June 30, 2008 to the system.

Other Post Employment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision insurance coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by the system with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan, and Hearing Plan coverage with the following exceptions:

- D Retirees not yet eligible for Medicare coverage pay an amount equal to Medicare Part B premiums.
- D Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially employer paid health benefit coverage. (No payment for less than 21 years of service). Dependents may receive 90% employer paid health benefit coverages.

Annual Pension and Other Costs

During the plan year ended September 30, 2007, benefit expenditures for the pension and postemployment benefits for the MPSERS as a whole were \$3,655,229,000. As of September 30, 2007, the amount of net assets held in trust for pension and health care benefits was \$49,139,267,000. At September 30, 2007 there were 473,827 members in the MPSERS, of which 162,844 were actively receiving benefits, 119,989 were vested employees, 175,995 were non-vested employees and 14,999 were inactive employees entitled to benefits and not yet receiving them. Actual employer contributions for retirement benefits were \$835,366,000 from employers and \$-0- from other governments. Annual payrolls for the fiscal year ended September 30, 2007 were not available.

Notes to the Financial Statement (Continued)

For the fiscal year ended June 30, 2008, the District's annual pension cost of \$25,328 was equal to the District's required and actual contributions. The required contribution was determined as part of the September 30, 2007 actuarial valuation using the following assumptions:

Valuation Date	September 30, 2007
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Open
Remaining Amortization Period	5 Years
Asset Valuation Method	5-year Smoothed Market Value
Actuarial Assumptions:	
Inflation Rate	4.0%
Investment Rate of Return	7%
Projected Salary Increases	4%
Cost-of-Living Adjustment	4% annual non-compounded for MIP Members

Three-Year Trend Information

Fiscal Year Ending June 30	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
2006	28,420	100%	-
2007	27,249	100%	-
2008	25,328	100%	-

NOTE F FIXED ASSETS

Capital asset balances and for the year ended June 30, 2008 were as follows:

	Balance 7/1/2007	Additions	Adjustments Deletions	Balance 6/30/2008
Governmental-Type Activities				
Capital Assets not being depreciated				
Land	\$ 1,042	\$ -	\$ -	\$ 1,042
Capital Assets Being Depreciated				
Buildings & Improvements	24,805	-	-	24,805
Equipment & Furniture	48,622	-	(3,700)	44,922
Buses & Other Vehicles	97,142	4,800	(3,750)	98,192
Subtotal	170,569	4,800	(7,450)	167,919
Less Accumulated Depreciation for				
Buildings & Improvements	9,898	493	-	10,391
Equipment & Furniture	27,541	9,086	(928)	35,699
Buses & Other Vehicles	21,451	5,281	(3,268)	23,464
Subtotal	58,890	14,860	(4,196)	69,554
Net Capital Assets being depreciated	111,679	(10,060)	(3,254)	98,365
Total Governmental Activities Capital				
Capital Assets - Net of Depreciation	<u>\$ 112,721</u>	<u>\$ (10,060)</u>	<u>\$ (3,254)</u>	<u>\$ 99,407</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 5,285
School Administrative Services	488
Student Transportation	9,087
Total Depreciation Expense	<u>\$ 14,860</u>

Notes to the Financial Statement (Continued)

NOTE G RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE H COOPERATIVE AGREEMENT

During the fiscal year ending June 30, 2008, the District entered into a Cooperative Agreement with White Cloud Public Schools for the use of Title I Proceeds. Under this agreement, White Cloud shall transfer to Big Jackson all Title I proceeds received by White Cloud that are designated for Big Jackson by the Department of Education. The parties have determined that \$11,135 will be designated for Big Jackson for the 2007-2008 school year. The entire designated amount was received by Big Jackson during the fiscal year ending June 30, 2008.

NOTE I RELATED PARTY TRANSACTIONS

During the year ended June 30, 2008, the School paid \$4,000 for repair work done by the brother of a board member. Also, \$690 was paid for yard maintenance/snowplowing services provided by two different family members of a board member and the business manager.

BIG JACKSON PUBLIC SCHOOL

Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended June 30, 2008

	Budget Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original Budget to Final	Final Budget to Actual
Revenues					
Local Sources	\$ 183,500	\$ 183,500	\$ 221,298	\$ -	\$ 37,798
State Sources	60,000	80,000	139,309	20,000	59,309
Federal Sources	54,200	53,335	30,324	(865)	(23,011)
Total Revenues	297,700	316,835	390,931	19,135	74,096
Expenditures					
Instruction					
Elementary	92,600	103,700	90,755	11,100	12,945
Compensatory Education	26,968	30,000	20,331	3,032	9,669
Employee Benefits	33,000	34,000	40,662	1,000	(6,662)
Total Instruction	152,568	167,700	151,748	15,132	15,952
Support Services:					
Pupil	100	100	-	-	100
General Administration	4,000	3,000	3,883	(1,000)	(883)
School Administration	12,000	12,000	12,000	-	-
Fiscal Services	23,000	22,700	21,093	(300)	1,607
Other Business Services	28,600	22,400	32,695	(6,200)	(10,295)
Operation & Maintenance	45,700	38,500	32,176	(7,200)	6,324
Transportation Services	42,150	71,000	61,446	28,850	9,554
Employee Benefits	24,700	23,800	25,555	(900)	(1,755)
Total Support Services	180,250	193,500	188,848	13,250	4,652
Capital Outlay	12,000	1,700	5,708	(10,300)	(4,008)
Debt Service	-	-	-	-	-
Total Expenditures	344,818	362,900	346,304	18,082	16,596
Excess (deficiency) of Revenue Over Expenditures	(47,118)	(46,065)	44,627	1,053	90,692
Other Financing Sources (Uses)					
Proceeds from Sale of Assets	-	-	2,800	-	2,800
Other	-	-	(4,430)	-	(4,430)
Total Other Financing Sources (Uses)	-	-	(1,630)	-	(1,630)
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (47,118)	\$ (46,065)	42,997	\$ 1,053	\$ 89,062
Fund Balance - July 1	53,472	53,472	53,472	-	-
Fund Balance - June 30	\$ 6,354	\$ 7,407	\$ 96,469	\$ 1,053	\$ 89,062

BIG JACKSON PUBLIC SCHOOL

Required Supplementary Information Budgetary Comparison Schedule for the Capital Projects Fund For the Year Ended June 30, 2008

	Budget Amounts		Actual	Variances Positive (Negative)	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
Revenues					
Local Sources					
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	4,347	-	4,347
Miscellaneous	-	-	4,818	-	4,818
Total Revenues	-	-	9,165	-	9,165
Expenditures					
Capital Outlay	35,000	35,000	11,326	-	23,674
Total Expenditures	35,000	35,000	11,326	-	23,674
Excess of Revenues Over (Under) Expenditures	<u>\$ (35,000)</u>	<u>\$ (35,000)</u>	(2,161)	<u>\$ -</u>	<u>\$ 32,839</u>
Fund Balance - Beginning			160,637		
Fund Balance - Ending			<u>\$ 158,476</u>		

BIG JACKSON PUBLIC SCHOOLS

Required Supplementary Information Schedule of Pension Funding Progress

(Dollar Amounts in Millions)

Valuation Date September 30	Actuarial Valuation Assets	Actuarial Accrued Liabilities	Funded Ratio	(Overfunded) Unfunded Accrued Liabilities	Covered Payroll	UAL as a % of Active Payroll
2000	\$ 36,893	\$ 37,139	99.3%	\$ 246	\$ 8,985	2.7%
2001	38,399	39,774	96.5%	1,375	9,264	14.8%
2002	38,382	41,957	91.5%	3,575	9,707	36.8%
2003	38,726	44,769	86.5%	6,043	10,044	60.2%
2004	38,784	46,317	83.7%	7,533	10,407	72.38%
2005	38,211	48,206	79.3%	9,995	10,206	97.93%
2006	39,893	49,136	81.2%	9,243	9,806	94.26%

BIG JACKSON PUBLIC SCHOOLSComparative Balance Sheet - General Fund
June 30, 2008 and 2007

	June 30, 2008	June 30, 2007
Assets		
Cash/Investments	\$ 93,528	\$ 98,591
Due From Other Funds	1,346	-
Due From Other Governmental Units	36,610	14,936
Total Assets	<u>\$ 131,484</u>	<u>\$ 113,527</u>
 Liabilities and Fund Equity		
Liabilities		
Accounts Payable	\$ 11,392	\$ 4,759
Due to Other Funds	-	26,572
Accrued Payroll Liabilities	4,094	5,956
Deferred Revenue	19,529	22,768
Total Liabilities	35,015	60,055
 Fund Equity		
Unreserved	96,469	53,472
Total Fund Equity	<u>96,469</u>	<u>53,472</u>
Total Liabilities and Fund Equity	<u>\$ 131,484</u>	<u>\$ 113,527</u>

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Revenues - General Fund For the Years Ended June 30, 2008 and 2007

	2008	2007
Revenues		
Local Sources		
Property Taxes	\$ 211,809	\$ 174,016
Interest Earned on Investments	2,846	4,708
Grant - Fremont Area Community Foundation (F.A.C.F.)	2,455	2,315
Miscellaneous	4,188	2,832
Total Local Sources	221,298	183,871
State Sources		
State School Aid	112,763	84,656
At Risk	17,169	15,577
Middle School Math	156	-
Special Education	9,221	-
Total State Sources	139,309	100,233
Federal Sources		
Title I	11,135	12,938
Title II, Part A	3,906	2,894
Title II D	238	-
Title V	307	6,730
R.E.A.P. Grant	12,381	5,767
Payments in Lieu of Taxes	2,357	-
Total Federal Sources	30,324	28,329
Total Revenues	\$ 390,931	\$ 312,433

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Expenditures - General Fund For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Instruction		
Elementary		
Basic Education		
Salaries		
Teachers	\$ 71,742	\$ 70,347
Substitutes	2,662	2,250
Textbooks	2,769	1,600
Purchased Services - Technology	1,105	2,165
Teaching Supplies	2,269	2,870
Teaching Supplies (F.A.C.F. Grant)	2,455	2,315
Mileage	160	80
Miscellaneous	1,649	249
Total Basic Education	<u>84,811</u>	<u>81,876</u>
Title V		
Teaching Supplies	<u>307</u>	<u>-</u>
Total Title V	307	-
Title II A		
Salaries - Substitutes	450	1,125
Professional Development	3,313	2,006
Mileage	<u>399</u>	<u>766</u>
Total Title II A	4,162	3,897
Title II D		
Salaries - Substitutes	150	75
Professional Development	55	35
Mileage	<u>41</u>	<u>23</u>
Total Title II D	246	133
REAP		
Mileage	-	32
Teaching Supplies	<u>1,229</u>	<u>713</u>
Total REAP	<u>1,229</u>	<u>745</u>
Total Elementary	90,755	86,651
Compensatory Education		
At Risk		
Salaries - Teachers	11,168	10,618
Teaching Supplies	<u>31</u>	<u>29</u>
Total At Risk	11,199	10,647
Title I		
Salaries	<u>9,132</u>	<u>10,057</u>
Total Title I	<u>9,132</u>	<u>10,057</u>
Total Compensatory Education	20,331	20,704

Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance - General Fund (Continued)

Employee Benefits for Instruction		
Health Insurance	17,916	15,445
Retirement	16,043	16,590
Social Security	6,703	6,851
Total Employee Benefits	<u>40,662</u>	<u>38,886</u>
Total Instruction	151,748	146,241
Supportive Services		
General Administration		
Salaries	2,868	3,318
Purchased Services	<u>1,015</u>	<u>1,758</u>
Total General Administration	3,883	5,076
School Administration		
Salaries	12,000	12,000
Fiscal Services		
Purchased Services	<u>21,093</u>	<u>22,316</u>
Total Fiscal Services	21,093	22,316
Other Business Services		
Technology	1,835	1,761
Technology - REAP	11,152	4,852
Purchased Services	15,650	14,900
Travel & Conference	563	257
Office Supplies	1,365	1,085
Miscellaneous	<u>2,130</u>	<u>7,669</u>
Total Other Business Services	32,695	30,524
Operation & Maintenance of School		
Salaries	4,520	2,245
Purchased Services	11,755	9,487
Utilities	7,947	7,597
Maintenance & Repairs	1,118	2,614
Custodial Supplies	1,047	1,042
Insurance	5,177	5,509
Miscellaneous	<u>612</u>	<u>1,157</u>
Total Operation & Maintenance of School	32,176	29,651
Transportation Services		
Salaries - Supervisor	550	592
- Bus Drivers	25,258	23,548
- Special Education	7,142	-
Travel & Mileage	164	157
- Special Education	84	-
Insurance	1,650	1,725
Gasoline, Oil & Grease	13,820	8,555
- Special Education	2,654	-
Repairs & Maintenance	7,720	3,245
- Special Education	517	-
Utilities	799	865
Utilities - Special Education	323	-
Miscellaneous	278	272
Miscellaneous - Special Education	<u>487</u>	<u>-</u>
Total Transportation Services	61,446	38,959

Comparative Statement of Revenues, Expenditures and
Changes in Fund Balance - General Fund (Continued)

Employee Benefits for Supporting Services		
Health Insurance	7,525	7,004
Retirement	11,867	10,659
Social Security	5,652	4,926
Worker's Compensation Insurance	511	114
	<hr/>	<hr/>
Total Employee Benefits	25,555	22,703
Total Supportive Services	188,848	161,229
	<hr/>	<hr/>
Capital Outlay		
Support	5,708	-
	<hr/>	<hr/>
Total Capital Outlay	5,708	-
	<hr/>	<hr/>
Debt Service		
Principal	-	16,667
Interest	-	492
	<hr/>	<hr/>
Total Debt Service	-	17,159
	<hr/>	<hr/>
Total Expenditures	346,304	324,629
	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	44,627	(12,196)
	<hr/>	<hr/>
Other Financing Sources (Uses)		
Proceeds from the Sale of Capital Assets	2,800	500
Other	(4,430)	-
	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(1,630)	500
	<hr/>	<hr/>
Excess Revenue & Other Sources Over (Under) Expenditures	42,997	(11,696)
	<hr/>	<hr/>
Fund Balance - Beginning	53,472	65,168
	<hr/>	<hr/>
Fund Balance - Ending	<u>\$ 96,469</u>	<u>\$ 53,472</u>

BIG JACKSON PUBLIC SCHOOLS

Comparative Statement of Revenues, Expenditures, and Changes in Fund Balance - Capital Projects Fund For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues		
Local Sources		
Interest Earned on Investments	\$ 4,347	\$ 5,962
Miscellaneous	4,818	-
	<u> </u>	<u> </u>
Total Revenues	9,165	5,962
Expenditures		
Capital Outlay	<u>11,326</u>	<u>10,234</u>
Total Expenditures	<u>11,326</u>	<u>10,234</u>
Excess Revenues Over (Under)		
Expenditures	(2,161)	(4,272)
Fund Balance - Beginning	<u>160,637</u>	<u>164,909</u>
Fund Balance - Ending	<u><u>\$ 158,476</u></u>	<u><u>\$ 160,637</u></u>

BIG JACKSON PUBLIC SCHOOL

Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
June 30, 2008 & 2007

	<u>2008</u>	<u>2007</u>
<u>Governmental Funds Capital Assets</u>		
Land & Improvements	\$ 1,042	\$ 1,042
Buildings & Improvements	24,805	24,805
Buses & Other Vehicles	98,192	97,142
Equipment & Furniture	<u>44,922</u>	<u>48,622</u>
	<u>\$ 168,961</u>	<u>\$ 171,611</u>

Investments in Governmental Funds Capital Assets by Source

General Fund	\$ 164,566	\$ 167,216
Capital Projects Fund	<u>4,395</u>	<u>4,395</u>
	<u>\$ 168,961</u>	<u>\$ 171,611</u>

BIG JACKSON PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
June 30, 2008

Function and Activity	Asset Classification				Total
	Land & Improvements	Buildings & Improvements	Buses & Other Vehicles	Equipment & Furniture	
Instruction	\$ 1,042	\$ 24,805	\$ -	\$ 40,324	\$ 66,171
General Administration Services	-	-	-	4,598	4,598
Student Transportation Services	-	-	98,192	-	98,192
Total	<u>\$ 1,042</u>	<u>\$ 24,805</u>	<u>\$ 98,192</u>	<u>\$ 44,922</u>	<u>\$ 168,961</u>

BIG JACKSON PUBLIC SCHOOLS

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
June 30, 2008

<u>Function and Activity</u>	<u>Balance 7/1/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/08</u>
Instruction	\$ 69,871	\$ -	\$ 3,700	\$ 66,171
General Administration Services	4,598	-	-	4,598
Student Transportation Services	97,142	4,800	3,750	98,192
Total	<u>\$ 171,611</u>	<u>\$ 4,800</u>	<u>\$ 7,450</u>	<u>\$ 168,961</u>

BIG JACKSON PUBLIC SCHOOLS

Statement of 2007 Tax Levy - Newaygo County, Michigan
June 30, 2008

	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Taxes Receivable</u>
Home Township	\$ 134,533	\$ 134,533	\$ -
Barton Township	47,398	47,398	-
Norwich Township	4,250	4,250	-
Monroe Township	9,546	9,546	-
Merrill Township	<u>386</u>	<u>386</u>	<u>-</u>
	<u>\$ 196,113</u>	<u>\$ 196,113</u>	<u>\$ -</u>

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards

Board of Education
Big Jackson Public Schools
Newaygo County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Jackson Public Schools as of and for the year ended June 30, 2008, which collectively comprise Big Jackson Public Schools basic financial statements and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Big Jackson Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Big Jackson Public School's internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Big Jackson Public School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Big Jackson Public School's financial statements that is more than inconsequential will not be prevented or detected by Big Jackson Public School's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

- 2008-1 Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles -The Board currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

Grand Rapids
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Phone (616) 453-8551
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Muskegon
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Fax (231)-798-8409

Fremont
711 West Main Street
Fremont, MI 49412
Phone (231) 924-6890
Fax (231) 924-4088
Toll Free (800) 924-6891

Montague
4538 Dowling Street
Montague, MI 49437
Phone (231) 893-6772

Hart
1550 N. Industrial Park Drive
Hart, MI 49420
Phone (231) 873-5611
Fax (231) 873-7033

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- 2008-2 Address Preparation of Financial Statements - As is common in small organizations, the School's accounting department currently does not perform the following functions:
- 1) Prepare its financial statements, complete with notes, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the School is unable to, and has not, established internal controls over the preparation of financial statements.
 - 2) Prepare schedules of property and equipment and record depreciation on a monthly basis. Currently, in the course of performing the audit, depreciation schedules are updated for activity during the year, and depreciation is calculated and recorded.
 - 3) Prepare journal entries to record deferred revenue. Currently, in the course of performing the audit, deferred revenue is recorded for grant income.
- As part of the audit, management has requested us to prepare a draft of the School's financial statements, including the related notes to the financial statements. Management then performed a review of the financial statements. However, in order to provide improved oversight of the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, management might establish review policies and procedures including the performance of some or all of the following functions:
- 1) Review the adequacy of financial statement disclosures, possibly including reviewing and approving a completed disclosure checklist we would provide to you or by completing a disclosure checklist.
 - 2) Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
 - 3) Apply analytical procedures to the draft financial statements.
 - 4) Perform other procedures as considered necessary by management.

- 2008-3 Improve Segregation of Accounting Department Duties - Although the small size of the Organization's office staff limits the extent of separation of duties, we believe certain steps could be taken to improve internal controls over the bank reconciliation process. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. One of the most critical areas of separation is cash, where we noted that the business manager handles incoming checks, prepares the deposit slip, posts receipts to the accounting records, writes checks to pay invoices and payroll, and receives and reconciles the monthly bank statement. The result is the danger that intentional or unintentional errors could be made and not detected. We recommend that the bank reconciliation be reviewed by the board and compared to the cash receipts listing from the board treasurer and also the cash disbursement listing from the business manager. This simple step would not add significant time to either the business manager or the board.

Another area that needs improvement would be the approval process for the business manager's time sheet. Currently, the time sheet is not signed or approved by anyone other than the employee, who is also the person that processes the payroll. Since time sheets are the source documents supporting the Organization's labor expenses, we recommend that the principal review and approve the hours being claimed by the business manager and to document that approval by signing the time sheet before the payroll is processed.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Big Jackson Public School's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether Big Jackson Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Hendon & Slate

Hendon & Slate, P.C.

Certified Public Accountants

October 29, 2008

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

Board Members,
Big Jackson Public Schools
Paris, MI 49338

In planning and performing our audit of the financial statements of Big Jackson Public School as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Big Jackson Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Jackson Public School's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

The Board currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

Address Preparation of Financial Statements

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Phone (231) 893-6772

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Phone (231) 873-5611
Fax (231) 873-7033

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- Prepare its financial statements, complete with notes, in accordance with accounting principles generally accepted in the United States of America. Accordingly, the School is unable to, and has not, established internal controls over the preparation of financial statements.
- Prepare schedules of property and equipment and record depreciation on a monthly basis. Currently, in the course of performing the audit, depreciation schedules are updated for activity during the year, and depreciation is calculated and recorded.
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As part of the audit, management has requested us to prepare a draft of the School's financial statements, including the related notes to the financial statements. Management then performed a review of the financial statements. However, in order to provide improved oversight of the financial statement preparation services at an appropriate level and implement controls over the financial reporting process, management might establish review policies and procedures including the performance of some or all of the following functions:

- Review the adequacy of financial statement disclosures, possibly including reviewing and approving a completed disclosure checklist we would provide to you or by completing a disclosure checklist.
- Review and approve schedules and calculations supporting amounts included in the notes to the financial statements.
- Apply analytical procedures to the draft financial statements.
- Perform other procedures as considered necessary by management.

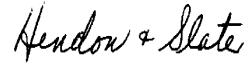
Improve Segregation of Accounting Department Duties

Although the small size of the Organization's office staff limits the extent of separation of duties, we believe certain steps could be taken to improve internal controls over the bank reconciliation process. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. One of the most critical areas of separation is cash, where we noted that the business manager handles incoming checks, prepares the deposit slip, posts receipts to the accounting records, writes checks to pay invoices and payroll, and receives and reconciles the monthly bank statement. The result is the danger that intentional or unintentional errors could be made and not detected. We recommend that the bank reconciliation be reviewed by the board and compared to the cash receipts listing from the board treasurer and also the cash disbursement listing from the business manager. This simple step would not add significant time to either the business manager or the board.

Another area that needs improvement would be the approval process for the business manager's time sheet. Currently, the time sheet is not signed or approved by anyone other than the employee, who is also the person that processes the payroll. Since time sheets are the source documents supporting the Organization's labor expenses, we recommend that the principal review and approve the hours being claimed by the business manager and to document that approval by signing the time sheet before the payroll is processed.

This communication is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than these specified parties.

Respectful ly submitted,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.
Certified Public Accountants
October 29, 2008

H&S Companies

Hendon & Slate, PC
Certified Public Accountants
Business Consultants

October 29, 2008

To the Board of Directors
Big Jackson Public School

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Big Jackson Public School for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated May 19, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Big Jackson Public School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Big Jackson Public School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on May 19, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Big Jackson Public Schools are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

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711 West Main Street
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Management's estimate of the Defined Benefit Pension Plan is based on a member's years of credited service and final average compensation .

Management's estimate of depreciation on fixed assets is based on the straight-line method of depreciation over the useful lives of the related asset.

Management's estimate of Compensated Absences is based on the balance of each employee's accumulated sick leave being paid at a rate of 50% of their current rate of pay upon retirement or departure.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

PRIOR YEAR COMMENTS

We are pleased to report that the prior year comments of improper use of sinking fund money, elimination of the due to/from other funds balance, and the internal control over credit card purchases has been implemented.

CURRENT YEAR COMMENTS

Insurance Policy – During our audit we noted that the vehicles listed on the insurance policy did not agree with the bus inventory listing. Also, the policy not only included vehicles that were not owned by the School any longer, but it also did not list the new vehicle purchased by the school during the year. We recommend that the insurance policy be updated with the insurance company so that the school carries adequate coverage.

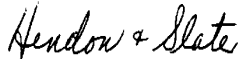
Backup and Safely Store Computer Files - We recommend that computer files be backed up at least weekly, be properly labeled, and be stored off premises in a fireproof vault to ensure safe storage of computer information.

Budget Issues – During the audit we noted that there were mathematical errors included in the original and final budgets. We recommend that the spreadsheet be reviewed for accurate calculation.

Also, as previously discussed with the business manager, the budget for the general fund should be re-formatted to accurately display the breakdown in the budgeted items among the proper function codes.

This information is intended solely for the use of board of directors and management of Big Jackson Public School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, PC